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FROM: Audit Staff

ROOM NO. 12C1	BUILDING Key	EXTENSION

FORM NO. 1 FEB 56 **241** REPLACES FORM 36-8 WHICH MAY BE USED. (47)

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8 October 1987

MEMORANDUM FOR: Director of Personnel

VIA: Inspector General

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FROM:

Acting Deputy Inspector General for Audit

SUBJECT: Interim Report of Audit Appraisal,
                    Administrative Procedures for the Federal
                    Employees Retirement System

1.   Subject report is attached for your review.

2.   The report summarizes the background, scope and results
of our ongoing audit of the development of administrative
procedures to support the Agency's operation of the Federal
Employees Retirement System (FERS). It contains no
recommendations. We do, however, offer some comments on
staffing the project to ensure the financial integrity of the
system once it is operational.

3.   We appreciate the continuing cooperation and assistance
extended to the auditors.

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Attachment:
  As stated

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SUBJECT: Interim Report of Audit Appraisal, Administrative
Procedures for the Federal Employees Retirement
System, 30 September 1987

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C/AS/ISAD [   ] (29Sep87)

Distribution:
 Orig. - Addressee
    1 - DDA
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INTERIM REPORT OF AUDIT APPRAISAL

Administrative Procedures for the
Federal Employees Retirement System
30 September 1987

SUMMARY

1. The administrative procedures and information systems
required to implement the Federal Employees Retirement System
(FERS) within the Agency are now under development by the
Office of Personnel (OP) with assistance from the Offices of
Finance (OF), and Information Technology (OIT). FERS is to be
developed in three phases, with the implementation date for
each phase closely tied to its legislatively mandated deadline.

2. The comments made in this report are based on the
review of only an embryonic first phase of the FERS
developmental activity, the Thrift Plan, and are offered as
suggestions to help project managers avoid pitfalls that impede
progress or lessen financial integrity. We appreciate the
pressures of the externally mandated deadlines, but the FERS
Working Group should be particularly careful to define
administrative processes and analyze job functions to ensure
adequate staffing to implement and administer FERS.

SCOPE

3. The Audit Staff's participation in the development and
implementation of FERS·is intended to provide a reasonable
assurance to Agency managers that their objectives are achieved
and to ensure that an auditable and properly controlled system
is developed. To this end, the Audit Staff has reviewed the
planning and system development stages of the FERS Thrift
Plan. The review adhered to the General Accounting Office's
Standards for Internal Audit of Computer-Based Systems, and
also included an analysis of planned administrative functions
to evaluate the effectiveness of internal controls and
procedures and to ensure compliance with Agency regulations.

BACKGROUND

4. FERS, based on legislation passed in 1986, includes
retirement and thrift programs designed to augment Social
Security System benefits. A provision of the law allows the
Agency to assume all administrative, annuity and thrift
responsibilities for Agency employees which had previously been

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performed by the Office of Personnel Management (OPM). Most Agency employees hired after December 31, 1983 are automatically covered by FERS. Employees hired before that date are covered by either the Civil Service Retirement System or the CIA Retirement and Disability System (CIARDS) and have the option of remaining in their current plan or transferring into FERS or FERS Special for CIARDS participants. The option to change retirement systems is available through December 1987.

5. The OP is responsible for the implementation and administration of FERS and, accordingly, has established a Working Group to direct the process. In addition, a Policy Group to revise regulations and handbooks and a Development Team to implement computer software have been organized. The administration of FERS will follow guidelines formulated by the OPM and the FERS Thrift Board.

<u>DETAILED COMMENTS</u>

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